2010 WINPAK

ANNUAL REPORT

REPORT TO SHAREHOLDERS

Winpak registered another blockbuster year! Net earnings of $52.6 million or 81 cents per share for 2010 surpassed the prior year's record by 22.6 percent or 15 cents per share. This impressive performance was realized during a period of rising raw material costs, an unstable global economy and a less than desirable Canadian/US exchange rate. Strict adherence to the corporation's mandate to control costs and enhance efficiencies, coupled with aggressive selling, all contributed to making 2010 the most profitable year in the Company's history. Barring any unforeseen major setbacks, this positive momentum will extend into 2011 and future years.

Just as outstanding was Winpak's 2010 sales accomplishment of $579 million, which far exceeded the previous year's figures by $73 million or 14.5 percent. Winpak's accelerated sales growth is due, in part, to the Company's ongoing commitment to invest in sizable capital projects. These initiatives have allowed the sales organization and its customers to benefit from the latest technology, as it relates to both new and existing products. However, the most pivotal component of Winpak's success story is the dynamic spirit and commitment of its people to propel the Company to greater heights. Even more exciting times are ahead for Winpak. The capital program for the next five years will be the Company's largest ever and will zero in on markets dependent upon Winpak's proprietary technology and, hence, capitalize on promoting items that yield higher margins.

In the third quarter of 2010, a significant building expansion was completed at the Company's Georgia-based specialty films plant. This facility will house additional machinery necessary to keep pace with the pressing demand for the Company's barrier shrink bag product line. This added space and planned capital equipment will provide the capacity to more than triple the sales of this highly sought-after product. Along with its formidable growth rate, this proprietary item has created sales opportunities at major meat and cheese processing plants for other Winpak materials. New extrusion equipment is also slated for Winpak's Georgia operation in 2011 to respond to the attractive sales surge in liquid and other unique packaging applications.

Winpak's modified atmosphere packaging materials repeatedly receive rave reviews in both the North and South American marketplace. To comply with the predicted rise in sales volume and to ensure the Company remains on the leading edge of technology, a major new production line is designated for the Company's Winnipeg location. Installation is scheduled to commence in the fourth quarter of 2011, with the new line up and running in 2012. As more and more food products require increasingly complex high-barrier packaging materials, the future promises to be extremely bright for Winpak's modified atmosphere packaging operations.

In 2010, Winpak completed a substantial capital project at its Chicago, Illinois rigid packaging plant with the successful start-up of another new coextrusion sheet line. As the barrier properties of rigid packaging materials become more sophisticated, their burgeoning popularity as alternatives to glass and metal cans will yield rewarding growth opportunities for Winpak. Confirming this fact, Winpak sales of these products continue to exceed all expectations. Confident this trend will persist, Winpak's Board of Directors endorsed a capital project that will result in the construction of a new 260,000 square foot plant. New coextrusion sheet and thermoforming lines will be installed at this location, which is projected to be in operation by early 2012. The site selected has sufficient land to double the building's size in order to manage anticipated future growth.

Winpak's die-cut lids are manufactured in two geographic locations. During the last five-year period, the Quebec facility was expanded on two separate occasions, and in Illinois a new plant was erected in 2007. Winpak's continual success in growing sales of die-cut lids, coupled with the Company's track record in establishing itself in the pharmaceutical industry, has escalated the need for enlarged capacity and production space. Plans call for expansion at both locations, with consideration also being given to setting up a small converting operation outside the borders of Canada and the United States that will further benefit export sales. In addition to die-cut lids and pharmaceutical applications, Winpak is aggressively pursuing other geographic and product markets for its proprietary foil-based structures.

The superior quality of the Company's biaxially-oriented nylon materials produced at its Winnipeg site, in collaboration with Winpak's business partner, Sojitz Corporation of Japan, is consistently out-performing the competition. It is predicted that the two primary production lines at this facility will be entirely sold out in 2011. The Company's technical team is spearheading a capital project that will boost outputs and thus provide the needed volume for the immediate future. As the global popularity of biaxially-oriented nylon films intensifies, it will cause demand to start to exceed supply, resulting in margins for this unique product to elevate. The Company's decision to stand its ground in 2009, refusing to match unrealistic low competitive pricing, has definitely proved to be the right tactic.

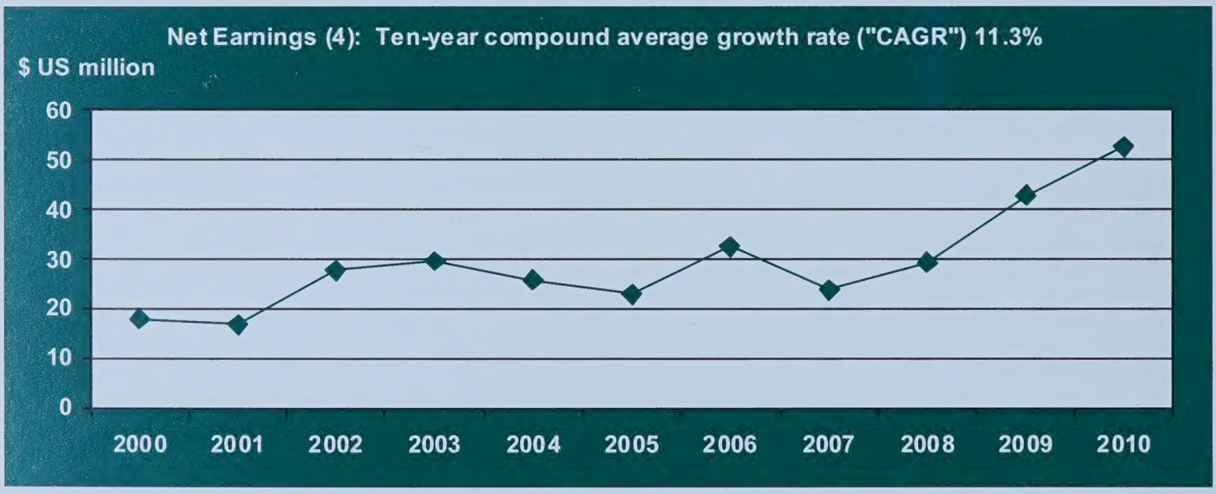
Winpak's machinery operation continues to design and manufacture equipment geared to seize selling opportunities for the Company's flexible and rigid packaging materials. This system selling approach was significantly enhanced during the fourth quarter of 2010 when the president of this business unit assumed the additional responsibility of vice president of corporate development. It is foreseen that this new posting will further energize the promotion of cross-selling among the sales forces of all the business units. The Company has also heightened its efforts to generate machine sales through the establishment of a global network of distributors. These advancements should increasingly build new sales for both the Company's machinery and packaging materials.

Winpak had a banner year in 2010! The Company's winning formula for growing sales and profits will be replicated and even greater endeavors will be made to outdistance this promising precedent. As outlined in this report, major capital expenditures are planned throughout the operation, as the Company strides to take advantage of the enormous opportunities that exist for packaging food and health-care products reliant on the type of proprietary and sophisticated packaging materials manufactured by Winpak. Moving forward, the Company will continue to seek out strategic acquisitions focusing on packaging operations servicing staple food and health-care end-use applications. Winpak is unwavering in its confidence, determination and ability to grow the business, both in sales and profitability.

B.J. Berry
President and Chief Executive Officer
Winnipeg, Canada
February 16, 2011

(Values expressed in US dollars)

	2010	2009	2008	2007	2006
Operating results ($ million except e.p.s.)					
Sales	**579.4**	506.0	512.0	466.6	447.1
Earnings from operations (EBIT)	**78.9**	66.0	46.3	34.0	48.8
EBITDA (1)	**106.9**	92.0	71.7	58.1	69.6
Net earnings	**52.6**	42.9	29.4	24.0	32.6
Net earnings per share (cents)	**81**	66	45	37	50
Investments and assets ($ million)					
Investments in property, plant and equipment	**39.0**	21.4	14.7	36.0	38.9
Total assets	**546.4**	483.1	418.4	441.6	387.4
Financial position					
Total debt to equity (2)	**0.0%**	0.0%	0.0%	8.4%	6.9%
Net return on opening equity	**14.1%**	13.8%	9.1%	8.8%	13.3%
Return on opening invested capital (3)	**21.2%**	18.3%	11.6%	10.0%	14.8%



(1) EBITDA (earnings before interest, tax, depreciation and amortization) is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies.

(2) Total debt is defined as long-term debt plus bank indebtedness less cash and cash equivalents. At December 26, 2010, December 27, 2009 and December 28, 2008, cash and cash equivalents exceeded long-term debt plus bank indebtedness.

(3) Return on opening invested capital is defined as EBIT divided by invested capital, which is defined as the sum of total debt, minority interest, net future income tax liability, shareholders' equity, and accumulated goodwill amortization.

(4) Net earnings in 2001 and 2000 have been restated for goodwill to conform to the current year's presentation.

Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent Winpak's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Unless otherwise required by applicable securities law, Winpak disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

General Information

The following discussion and analysis dated February 16, 2011 was prepared by management and should be read in conjunction with the consolidated financial statements prepared in accordance with Canadian GAAP. The following discussion and analysis is presented in US dollars except where otherwise noted. The consolidated financial statements include the accounts of all subsidiaries. All subsidiaries in the United States and American Biaxis Inc. operate with the US dollar as the functional currency, while the Company and all its Canadian subsidiaries, excluding American Biaxis Inc., operate with the Canadian dollar as the functional currency. The Company has filed a separate Management's Discussion and Analysis for its fourth quarter of 2010, which is available on SEDAR at www.sedar.com.

Company Overview

Winpak is an integrated converter operating in the packaging materials segment. The Company utilizes manufacturing technology focused on the core competency of sophisticated extrusion and conversion of plastic and aluminum foil materials. The business encompasses three product groups produced in eight manufacturing facilities located in North America. Winpak distributes products to customers primarily in North America for use in the packaging of perishable foods, beverages and in health-care applications.

Selected Financial Information

Millions of US dollars, except per share and margin amounts

	2010	2009	2008
Net earnings	**52.6**	42.9	29.4
Earnings from operations	**78.9**	66.0	46.3
Sales	**579.4**	506.0	512.0
Gross profit margin	**29.1%**	30.0%	26.1%
Net earnings per share (cents)	**81**	66	45
Dividends declared per common share (Canadian cents)	**12**	12	12
Total assets	**546.4**	483.1	418.4
Total net cash and cash equivalents	**90.5**	61.2	2.8

{Cash and cash equivalents less long-term debt and bank indebtedness}

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Performance

- *Sales* volumes strengthened substantially by 10.2 percent, adding $51.5 million to reported sales. This was further supplemented by higher overall selling prices and a stronger Canadian dollar which resulted in additional sales of $12.6 million and $9.4 million respectively.

- *Gross profit margins* remained buoyant at 29.1 percent of sales, but down from the 30.0 percent level recorded in 2009. The escalation in raw material costs had a negative impact on margins, but improved manufacturing performance largely offset this decline.

- *Net earnings* climbed to $52.6 million from $42.9 million in 2009, an increase of 22.6 percent or $9.7 million. This advancement was due primarily to improved sales volumes and limited growth in operating and other expenses.

- *Cash position* improved by $29.3 million to end the year at $90.5 million due to strong cash flow from operating activities. The Company has no bank indebtedness or long-term debt outstanding.

Highlights

- *Raw materials:* After escalating for six consecutive years prior to 2009, raw material costs resumed their ascent in 2010 as the Company's raw material index increased by 17.9 percent over the previous year. After temporarily receding to a recent low point in the second quarter of 2009, raw material costs have been on a steady climb, rising 23.9 percent by the end of 2010.

- *Manufacturing performance:* Lower waste levels and enhanced productivity, due in part to higher sales volumes, helped drive further improvements in manufacturing performance over and above those attained in 2009. These provided support to gross profit margins which were otherwise negatively impacted by higher raw material costs.

- *Operating expenses:* The Company was successful at limiting its percentage increase in operating expenses to approximately half of the increase in sales volumes, resulting in a boost in net earnings per share of approximately 4.5 cents. A reduction in corporate tax rates also complemented net earnings per share by nearly 1.5 cents.

- *Foreign exchange:* In 2010, the average exchange rate of the Canadian dollar appreciated against the US dollar when compared to the prior year by 11 percent, negatively impacting results. However, the foreign exchange losses on translation of net monetary items were significantly lower in 2010, which when combined with gains realized on the maturity of foreign exchange contracts, resulted in a net overall favorable foreign exchange impact on net earnings of $1.3 million or 2.0 cents per share in comparison to 2009 results.

- *Capital expenditures:* Capital expenditures in 2010 totaled $39.0 million, an increase of $17.7 million from the previous year. The Company continues to invest in capital projects to remain at the forefront of technology and maintain its competitive advantage, thus placing the organization on a strong footing for the future.

- *Financing and investing:* During 2010, Winpak generated $76.0 million in cash flow from operating activities, which was more than sufficient to fund $39.0 million in capital projects, $7.5 million in dividends, redeem preferred shares in a majority-owned subsidiary of $2.0 million and end the year with a net cash position of $90.5 million. The Company will utilize its cash resources on hand and generate additional cash flow from operations to fund its investing and financing activities in 2011. In addition to continuing to evaluate strategic acquisition opportunities, management will implement a more aggressive internal capital expansion program in 2011 that will focus on markets requiring more advanced technological requirements, a strategy that has produced Winpak's past and current successes.

Results of Operations

Components of total increase in net earnings per share

	2010	2009	2008
Non-recurring item: lower future income tax rates	-	(0.5)	(3.5)
Ongoing operations:			
Organic growth	**7.0**	2.5	1.5
Gross profit margins	-	22.5	7.0
Expenses and minority interest	**6.0**	1.5	1.5
Foreign exchange	**2.0**	(5.0)	1.5
Total increase in net earnings per share (cents)	**15.0**	21.0	8.0

Ongoing operations

Organic growth is the impact on net earnings due exclusively to increased sales volume and excludes the influence of acquisitions, divestitures and foreign exchange. This was the main driver impacting improved earnings in 2010, adding 7.0 cents in net earnings per share in comparison to the prior year.

Despite the significant progression in raw material costs in 2010, the Company was able to neutralize its negative effect on net earnings through improvements in manufacturing performance and the partial hedge provided by selling price-indexing agreements.

The Company was able to limit the escalation in operating expenses in relation to sales volumes, resulting in an advancement in net earnings per share by approximately 4.5 cents. In addition, lower income taxes provided a further 1.5 cents in net earnings per share.

The strengthening of the Canadian dollar against its US counterpart in 2010 had a detrimental impact on net earnings when applied to the Company's net Canadian dollar disbursements. However, this was more than offset by a much lower foreign translation exchange loss on net monetary items in 2010 versus the prior year, as well as realized gains from the maturing of foreign exchange contracts entered into as part of the Company's hedging strategy. The net result was a favorable impact on net earnings per share of 2.0 cents in relation to 2009.

Sales

Sales Change — Millions of US dollars

	2010	2009	2008
Volume increase	**51.5**	24.8	20.0
Price and mix gains (losses)	**12.6**	(23.2)	23.2
Foreign exchange gain (loss)	**9.4**	(7.6)	2.2
Total increase (decrease) in sales	**73.5**	(6.0)	45.4

Sales advanced by $73.5 million to $579.4 million, 14.5 percent greater than the prior year. Volumes were robust, up 10.2 percent or $51.5 million from 2009 levels. Biaxially-oriented nylon and specialty film sales had the largest volume improvement, advancing by approximately 20 to 25 percent, as the economic environment improved and new customers were added. Further, with regard to specialty film sales, the success of the barrier shrink bag product line propelled sales growth as new capacity was added during the year. Lidding, due to strong die-cut sales in coffee and yogurt markets, added nearly 11 percent in volumes while rigid containers and modified atmosphere packaging volumes rose in the high single-digit range. The lone exception to increasing volumes was packaging machinery sales which declined marginally by about 2 percent, although the order backlog going into 2011 for this product line is strong. Higher overall selling prices, primarily in response to increased raw material costs, bolstered sales by an additional 2.5 percent or $12.6 million in comparison to 2009, while a stronger Canadian dollar added 1.8 percent or $9.4 million to reported sales.

Gross profit margins

Gross profit margins in 2010 averaged 29.1 percent of sales compared to 30.0 percent of sales in 2009. Escalating raw material costs negatively impacted margins by over 2 percentage points in 2010 as the spread between those costs and selling prices narrowed. The Company has been only moderately successful in matching raw material cost increases with higher selling prices where formal indexing programs are not in place. On the other hand, improved manufacturing performance offset most of this margin decline, resulting in an overall negligible impact on net earnings per share for the year. Lower waste levels and enhanced productivity, in part due to higher sales volumes, helped lower manufacturing costs. As a result, the current year gross profit margin of 29.1 percent of sales compares very favorably to the 5-year average of 25.8 percent of sales experienced in the 2004 to 2008 timeframe.

Winpak's raw material index, which represents the weighted cost of a basket of the Company's eight principal raw materials, escalated by 17.9 percent during 2010. This continued the pattern of increases seen in the six consecutive years prior to 2009, whereas in 2009 a depressed worldwide economy precipitated a drop in raw material prices. The Company has a natural hedge against rising raw material costs in that approximately 60 percent of the Company's sales are subject to formal selling price-indexing agreements, whereby selling prices are adjusted as raw material prices change, albeit with a time lag. The proportion of sales subject to indexing agreements has risen steadily over the past three years, from just over one-third to the current level.

Raw Material Index

	2010	2009	2008
Average annual index: weighted cost of a basket of Winpak's eight principal raw materials, where base year 2001 = 100	**153.8**	130.4	174.1
Increase (decrease) in index compared to prior year	**17.9%**	(25.1%)	12.5%

Expenses

In 2010, the Company was able to leverage its expenditure on operating expenses by limiting the increase in expenses to just 5.2 percent while sales volumes strengthened by 10.2 percent in relation to 2009. Firm cost control, particularly in selling, general and administrative expenses, resulted in net earnings per share growth of approximately 4.5 cents. The reduction in the corporate income tax rate in Canada, effective January 1, 2010, further complemented net earnings per share by 1.5 cents.

Foreign exchange

	2010	2009	2008
Year-end exchange rate of CDN dollar to US dollar	**0.991**	0.952	0.826
Year-end exchange rate of US dollar to CDN dollar	**1.009**	1.050	1.210
Appreciation (depreciation) of CDN dollar vs. US dollar year-end exchange rate compared to the prior year	**4.1%**	15.3%	(19.0%)
Average exchange rate of CDN dollar to US dollar	**0.966**	0.870	0.946
Average exchange rate of US dollar to CDN dollar	**1.035**	1.149	1.057
Appreciation (depreciation) of CDN dollar vs. US dollar average exchange rate compared to the prior year	**11.0%**	(8.0%)	2.4%

Most of the Company's business is conducted in the United States dollar and Winpak utilizes the US currency as its reporting currency. However, all of Winpak's Canadian subsidiaries, excluding American Biaxis Inc., operate with the Canadian dollar as the functional currency. Consequently, Winpak records foreign currency differences on transactions and translations.

Approximately 16 percent of sales are denominated in Canadian dollars and approximately 28 percent of costs are incurred in the same currency. The net outflow of Canadian dollars exposes Winpak to transaction differences arising from exchange rate fluctuations. The change in the average exchange rate of the Canadian dollar in relation to the US dollar decreased net earnings by 4.0 cents per share in 2010 and increased net earnings by 2.5 cents per share in 2009, compared to the prior year in each case. In addition, Winpak's Canadian companies purchase raw materials in US dollars. The change in exchange rate between the date of purchase of raw materials and eventual sale of the completed inventories generates further transaction exchange differences. These transaction differences were particularly significant in 2009 but much less so in 2010. Winpak estimates that these transaction differences advanced net earnings in 2010 by 2.0 cents per share and reduced net earnings in 2009 by 10.0 cents per share. Translation differences arise when foreign currency monetary assets and liabilities are translated at exchange rates that change over time. The change in spot conversion rate of the Canadian dollar from year to year and the maturity of foreign exchange contracts increased net earnings in 2010 by 4.0 cents per share and 2009 by 2.5 cents per share, compared to the prior year in each case.

As the Company transitions to International Financial Reporting Standards (IFRS) in 2011 and changes to the US dollar as the functional currency for all of its subsidiaries, the volatility in earnings due to foreign exchange should be significantly diminished as the exchange differences related to raw material purchases in inventory and net monetary items will lessen substantially.

Summary of quarterly results

Thousands of US dollars, except earnings per share (e.p.s.) amounts (cents)

	2010				2009		
Quarter ended	**Sales**	**Net earnings**	**e.p.s.**	Quarter ended	Sales	Net earnings	e.p.s.
March 28	**132,888**	**12,256**	**19**	March 29	119,938	9,661	15
June 27	**145,568**	**14,309**	**22**	June 28	125,322	11,896	18
September 26	**146,055**	**11,926**	**18**	September 27	125,267	9,889	15
December 26	**154,930**	**14,079**	**22**	December 27	135,464	11,445	18
	579,441	**52,570**	**81**		505,991	42,891	66

Various factors affect timing of the Company's earnings during the course of a year. Seasonal factors typically contribute to stronger sales and net earnings in the second and fourth quarters compared to the first and third quarters. Factors influencing seasonal trends are the higher demand for certain food products in advance of the summer season and the greater number of holidays in the fourth quarter. During the third quarter, sales and earnings are typically lower due to reduced order levels and plant maintenance shutdowns scheduled to coincide with the summer. Sudden and substantial changes in the rate of exchange between the US and Canadian dollars from one quarter to another may cause sales and net earnings to vary from the historic trend. Similarly, sudden and significant changes in the cost of raw materials consumed from one quarter to another can be expected to increase or decrease net earnings in a manner that does not conform to the normal pattern. Furthermore, unexpected adverse weather conditions could influence the supply and price of raw materials or customer order levels.

Generally, the normal historical trends held true for both 2010 and 2009 with the second and fourth quarters recording the highest sales and profit levels. The one exception was that sales levels in the third quarter of 2010 were marginally greater than the second quarter of 2010 by less than $0.5 million or 0.3 percent.

Cash Flow, Liquidity and Capital Resources

At December 26, 2010, Winpak's cash position totaled $90.5 million, an increase of $29.3 million from the prior year-end. This improvement reflected total funds provided by operating activities of $76.0 million and a foreign exchange adjustment on cash and cash equivalents of $2.1 million, less disbursements for investing and financing activities of $48.8 million.

Operating activities

Cash flow provided by operating activities totaled $76.0 million, a net decrease of $7.9 million from 2009. The cash flow derived from operating activities, before changes in working capital and defined benefit plan payments, improved by $12.2 million in total from the prior year. The increase in net earnings in 2010 plus the change in depreciation and amortization accounted for $11.7 million of the improvement. Net earnings in the current year were $9.7 million greater than in 2009. Depreciation and amortization rose by $2.0 million in the year due to recent investments in plant and equipment.

The investment in working capital increased by $8.2 million during the year compared to a decrease of $12.5 million in the prior year. Accounts receivable grew by $7.0 million, primarily due to increased sales in the fourth quarter of 2010 versus the prior year. Inventories edged up by $4.5 million as the cost of raw materials rose substantially compared to a year ago. While the raw materials index jumped by nearly 18 percent, the value of inventories progressed by just over 6 percent due to effective inventory management practices. Accounts payable and accrued liability levels climbed by $7.5 million in response to higher inventory values and larger incentive and customer rebate accruals compared to the previous year-end. Income tax balances declined by $4.2 million due to an increase in the current year's tax installment payments. Payments were made to defined benefit plans during the year of $4.8 million, $0.6 million less than in 2009.

Investing activities

Investing activities in 2010 amounted to $39.3 million, an increase of $17.5 million over 2009, and consisted of purchases of plant and equipment of $39.0 million and intangible assets of $0.3 million. The Company continues to subscribe to the philosophy of investing in plant and equipment to remain at the forefront of the latest and most advanced technology in order to retain its competitive advantage. Expansions of capacity in modified atmosphere packaging, lidding and rigid containers occurred with investments in extrusion, printing and die-cutting capabilities. Additional investment in 2010 included increasing shrink bag capacity due to the continued success of this product line in the marketplace. Over the long term, Winpak's expenditures for equipment enhancements in maintaining existing capacity have averaged approximately 2 percent of sales.

Financing activities

Financing activities in 2010 consisted of dividends of $7.5 million and the preferred share redemption of a minority shareholder in a subsidiary of $2.0 million. The quarterly dividends were paid at the rate of 3.0 Canadian cents per share which, based on the December 26, 2010 closing share price of CDN $11.79, provides a dividend yield of 1.0 percent.

Resources

Investments to drive growth can be sizeable, requiring substantial financial resources. A range of funding alternatives is available including cash and cash equivalents, cash flow provided by operations, additional debt, issuance of equity or a combination thereof. An informal investment grade credit rating allows the Company to enjoy relatively low interest rates on debt. The Company currently has operating lines of $38 million, which are believed adequate for liquidity purposes. None of the lines were utilized as at December 26, 2010. Based on formal and informal discussions with various financial institutions, Winpak is confident that additional credit can be arranged from banks and other major lenders as the need arises. The Company believes that all 2011 requirements for capital expenditures, working capital, and dividend payments can be financed from cash resources, cash provided by operating activities and unused credit facilities.

Risks and Financial Instruments

The Company recognizes that net earnings are exposed to changes in market interest rates, foreign exchange rates, prices of raw materials and risks regarding the financial condition of customers and financial counterparties. These market conditions are regularly monitored and actions are taken, when appropriate, according to Winpak's policies established for the purpose. Despite the methods employed to manage these risks, future fluctuations in interest rates, exchange rates, raw material costs and counterparty financial condition can be expected to impact net earnings.

Winpak's policy regarding interest expense is to fix interest rates on between one- and two-thirds of any long-term debt outstanding. The Company may enter into derivative contracts or fixed-rate debt to minimize the risk associated with interest rate fluctuations.

With respect to foreign exchange risk, Winpak employs hedging programs to minimize risks associated with changes in the value of the Canadian dollar relative to the US dollar. To the extent possible, the Company maximizes natural currency hedging by matching inflows from sales in either currency with outflows of costs and expenses denominated in the same currency. For the remaining exposure, the Company's foreign exchange policy requires that between 50 and 80 percent of the Company's net requirement of Canadian dollars for the ensuing 9 to 15 months will be hedged at all times with forward or zero-cost option contracts. Purchases of foreign exchange products for the purpose of speculation are not permitted. Transactions are only conducted with certain approved Schedule I Canadian financial institutions.

Fluctuations in foreign exchange rates represent a material exposure for the Company's financial results. Hedging programs employed may mitigate a portion of exposures to short-term fluctuations in foreign currency exchange rates. However, the Company's financial results over the long term will inevitably be affected by sizeable changes in the value of the Canadian dollar relative to the US dollar. Winpak estimates that each time the exchange rate strengthens or weakens by one Canadian cent against the US dollar, net earnings, with respect to transaction differences, will decrease or increase, respectively, by approximately one-half of a US cent per share.

During 2010, certain foreign currency forward contracts matured and the Company realized pre-tax exchange gains of $1.6 million. As at December 26, 2010, the Company had foreign currency forward contracts outstanding with a notional amount of $17.0 million and recorded pre-tax unrealized foreign exchange gains on these contracts of $0.6 million in other comprehensive income based on the year-end US-Canadian dollar exchange rate of 1.009.

Winpak has not participated in any derivatives market for raw materials. Winpak is not aware of any instrument that fully mitigates fluctuations in raw material costs over the long term. To manage this risk, Winpak has entered into formal selling price-indexing agreements with certain customers whereby changes in raw material prices are reflected in selling price adjustments, albeit with a slight time lag. By the end of 2010, approximately 60 percent of Winpak's revenues were governed by selling price-indexing agreements. For all other customers, the Company responds to changes in raw material costs by adjusting selling prices on a customer-by-customer basis. However, market conditions can have an impact on these price adjustments such that the combined impact of selling price adjustments and changes in raw material costs can be significant to Winpak's net earnings.

Credit risk arises from cash and cash equivalents held with banks, derivative financial instruments (foreign currency forward and option contracts), as well as credit exposure to customers, including outstanding accounts receivable. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases, insures accounts receivable balances against credit losses. The Company invests its excess cash on a short-term basis, to a maximum of six months, with financial institutions and/or governmental bodies that must be AA rated or higher by a recognized international credit rating agency or insured 100 percent by a AAA rated Canadian or US government. Nonetheless, unexpected deterioration in the financial condition of a counterparty can have a negative impact on the Company's net earnings in the case of default.

The Company enters into contractual obligations in the normal course of business operations. These obligations, as at December 26, 2010, are summarized below.

Contractual Obligations	Payment due, by period (thousands of US dollars)				
	Total	1 year	2 - 3 Years	4 - 5 Years	After 5 years
Operating leases	5,685	1,348	2,571	1,755	11
Purchase obligations	4,539	4,539	-	-	-
Total contractual obligations	10,224	5,887	2,571	1,755	11

Accounting Policy Changes

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that Publicly Accountable Enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from Canadian generally accepted accounting principles ("GAAP") to IFRS will commence with the Company's first quarter of 2011, at which time the Company will elect to prepare both its fiscal 2011 and fiscal 2010 comparative financial information using IFRS. The transition to IFRS will impact financial reporting, certain business processes, disclosure controls, internal controls over financial reporting and information systems.

The Company formally commenced its IFRS conversion project in the second quarter of 2008 and had engaged the services of an external advisor with IFRS expertise to work with management. Regular reporting has been provided to the Company's senior management and Audit Committee of the Board of Directors. The Company's conversion project consists of three phases: diagnostic assessment, design and development, and implementation. To date, the diagnostic assessment phase and design and development phase of the project have been completed, and an implementation plan is being executed. As of December 26, 2010, the project is on schedule in accordance with this plan. During the past quarter, modifications to the Company's information systems have been completed to accommodate a change in functional currency of the Canadian entities, excluding American Biaxis Inc. As of December 27, 2010, these entities are operating with the US dollar as their functional currency. Parallel reporting for 2010 under both IFRS and Canadian GAAP is also progressing according to plan. Meetings have been held with internal accounting personnel as well as the Board of Directors to provide education with respect to IFRS and its effects on the Company. Winpak will continue to invest in training and external advisor resources throughout the transition to facilitate a timely and successful conversion.

A detailed review of the major differences between Canadian GAAP and current IFRS has been undertaken and at this time, the Company has determined that the areas listed below are expected to have the greatest impact on the Company's Consolidated Financial Statements. The list and comments are intended to highlight only those areas believed to be the most significant and is not intended to be a complete and exhaustive list of all expected changes. Readers are cautioned that the disclosed impacts of IFRS on financial reporting are estimates and may be subject to change.

Initial Adoption – IFRS 1, *First-Time Adoption of International Financial Reporting Standards,* provides guidance for an entity's initial adoption of IFRS and generally requires the retrospective application of all IFRS effective at the end of its first IFRS reporting period. IFRS 1 however does include certain mandatory exceptions and allows certain limited optional exemptions from this general requirement of retrospective application. The Company expects to apply the following significant optional exemptions available under IFRS 1 on the opening transition date of December 28, 2009:

i. Business combinations – None will be restated prior to the transition date.
ii. Fair value as deemed cost – The Company will not elect to revalue any property, plant and equipment to fair value.
iii. Borrowing costs – Capitalization will only be applied prospectively from the transition date.
iv. Actuarial gains/losses on employee benefits – The Company will recognize all unrecorded actuarial gains/losses in retained earnings upon transition. Based on the most recent actuarial valuations of the defined benefit plans, the estimated impact as at December 28, 2009 is a charge to retained earnings of $10.0 million, a reduction of defined benefit pension plan assets of $14.5 million and a decrease in future income tax liabilities of $4.5 million.
v. Cumulative translation differences – The Company will elect to reclassify all cumulative translation differences at the transition date from a separate component of equity to retained earnings. The estimated amount of the reclassification is an increase in retained earnings of $18.3 million.

Functional Currency – IAS 21, *The Effects of Changes in Foreign Exchange Rates,* requires that the functional currency of each entity in a consolidated group be determined separately based on the currency of the primary economic environment in which the entity operates. A list of primary and secondary indicators is used under IFRS in this determination and these differ in content and emphasis to a certain degree from those factors used under Canadian GAAP. The parent Company and all of its Canadian subsidiaries, with the exception of American Biaxis Inc., operate with the Canadian dollar as their functional currency under Canadian GAAP. However, it has been determined that under IFRS, these same entities will change to the US dollar as their functional currency such that all entities within the Winpak group will operate with the US dollar as their functional currency under IFRS. The net result going forward will be decreased earnings volatility due to foreign exchange fluctuations as the magnitude of net Canadian dollar monetary financial instrument exposure is significantly less than the net US dollar monetary financial instrument exposure within these entities. The estimated impact of this change in functional currency, as at December 28, 2009, is a decrease in financial statement items as follows: accumulated other comprehensive income - $39.6 million; property, plant and equipment - $19.7 million; future income tax liabilities - $5.8 million; goodwill - $1.1 million; inventory - $0.7 million; and intangible assets - $0.2 million. Retained earnings are estimated to increase by $23.7 million.

Borrowing Costs – International Accounting Standard (IAS) 23, *Borrowing Costs*, requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be included as part of the cost of that asset. Under Canadian GAAP, the Company's policy was to expense these costs as incurred. This change is not expected to have a significant impact on the Company's future financial results.

Hedging – Under IAS 39, *Financial Instruments Recognition and Measurement,* the requirements for designating hedges and hedge accounting differ from those under Canadian GAAP. However, the Company is planning to continue to apply hedge accounting to its foreign exchange contracts under IFRS and, as a result, the accounting treatment under IFRS is expected to remain the same as under current Canadian GAAP.

Non-controlling interest – Under Canadian GAAP, minority interest is classified in the consolidated balance sheets between total liabilities and equity. Under IAS 27, *Consolidated and Separate Financial Statements,* minority interest will be reclassified to a separate component of equity entitled non-controlling interest. As at December 28, 2009, this reclassification is $15.9 million.

Impairment of Assets – IAS 36, *Impairment of Assets,* uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. Canadian GAAP, on the other hand, generally uses a two-step approach to impairment testing of long-lived assets and finite-life intangible assets by first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists. If it is determined that there is impairment under this basis, the impairment is then calculated by comparing asset carrying values with fair values in much the same manner as computed under IFRS. Additionally under IFRS, testing for impairment occurs at the level of cash generating units, which is the lowest level of assets that generate largely independent cash inflows. This lower level of grouping compared to Canadian GAAP, along with the one-step approach to testing for impairment, may increase the likelihood that the Company will realize an impairment of assets under IFRS. It should also be noted that under IAS 36, previous impairment losses, with the exception of goodwill, can be reversed when there are indications that circumstances have changed whereas Canadian GAAP prohibits reversal of non-financial asset impairment losses. The Company has determined that as of the opening transition date of December 28, 2009, an impairment of goodwill with regard to the specialty film business has taken place under IAS 36. This will result in a reduction of goodwill and retained earnings of $3.4 million as of that date.

Employee Benefit Plans – IAS 19, *Employee Benefits,* requires the past service cost element of defined benefit plans to be expensed on an accelerated basis, with vested past service costs being expensed immediately and unvested past service costs being recognized on a straight-line basis until the benefits become vested. This would result in a charge to retained earnings at December 28, 2009 of $1.3 million, a reduction of defined benefit pension plan assets of $1.9 million, and a decrease in future income tax liabilities of $0.6 million. Under Canadian GAAP, past service costs are generally amortized on a straight-line basis over the expected average remaining service period of active employees in the plan. In addition, under IAS 19 and IFRIC 14, the Company is not able to report an asset in its financial statements in excess of the economic benefit it can expect to receive in the form of a refund of a pension plan surplus and/or a reduction in future contributions. This differs from the treatment allowed under Canadian GAAP and, as a result, under IFRS, the estimated impact as at December 28, 2009 is a decrease in financial statement items as follows: defined benefit pension plan assets – $1.6 million; future income tax liabilities – $0.5 million; and retained earnings – $1.1 million. Going forward, IAS 19 requires an entity to make an accounting policy choice regarding the treatment of actuarial gains and losses. These choices include: (a) the corridor method which is similar to the method currently used by the Company under Canadian GAAP, (b) recording the actuarial gains and losses directly in income in the year incurred, and (c) recognizing the actuarial gains and losses directly in equity through comprehensive income. In April 2010, the International Accounting Standards Board issued an exposure draft, *Defined Benefit Plans: Proposed Amendments to IAS 19,* which would essentially eliminate the choices regarding the treatment of actuarial gains and losses and require them to be recorded directly in

equity through comprehensive income. As a result, the Company has chosen to recognize actuarial gains and losses directly in equity through comprehensive income as its accounting policy choice under IAS 19 to be consistent with the exposure draft.

Income Taxes – Under Canadian GAAP, when the functional currency for accounting purposes differs from the functional currency for taxation purposes, future (deferred) taxes are first calculated in the currency in which income taxes are paid and then translated to the functional currency for accounting purposes at the period-end exchange rate. Under IFRS, IAS 12, *Income Taxes,* deferred taxes are calculated based on the functional currency for accounting purposes, regardless of what functional currency is used for taxation purposes. As a result of this difference between Canadian GAAP and IFRS, the estimated impact of this change to IFRS as at December 28, 2009 is an increase in retained earnings of $0.9 million, an increase in non-controlling interest of $0.8 million, and an increase in future income tax assets of $1.7 million.

Looking Forward

Following a strong finish to the year, the Company remains optimistic with regard to future prospects in 2011. Volume growth in 2010 exceeded 10 percent and although this high level of achievement may not be entirely sustainable going forward, demand should still increase in the mid to upper single-digit percentage range in 2011. Barring unforeseen events, gross profit margins for 2011 should remain within one or two percentage points of current levels, exceeding the five-year average. In the short-term, the escalation in raw material costs remains a concern as these have risen by nearly 25 percent in the last 18 months. Further raw material price escalations of approximately 7 percent have been implemented by suppliers in the first quarter of 2011 and additional increases of between 5 and 10 percent have been announced. Winpak is fortunate to be partially hedged with regard to these increases as approximately 60 percent of the Company's revenues are indexed to the cost of raw materials under customer agreements, albeit with a time lag. Using a longer-term outlook, the supply of natural gas, from which most of the Company's resins are derived, has been increasing due to recent discoveries and this should eventually have a stabilizing effect on raw material costs.

Building on past successes and looking forward to future prospects, the Company has made the decision to embark on an aggressive internal capital investment program over the next five years. The program will focus on markets requiring more advanced technological requirements that tend to yield higher margins and have been the backbone of Winpak's past and current success. Capital expenditures for 2011 are expected to approximately double the levels spent in the current year. A new manufacturing plant is planned for the rigid packaging operations in addition to coextrusion sheet and thermoforming lines; a major extrusion line is slated for the Winnipeg location; a further building expansion and extrusion lines are proposed for the Georgia facility; and additional laminating, printing and die-cut capacity is projected for the lidding operations. All of this investment is expected to occur without incurring any debt and the Company remains dedicated to evaluating acquisition opportunities that would complement its core competencies in the areas of food and health-care packaging. With Winpak's very solid financial position and access to additional financing sources, the Company has the ability to consummate an external transaction that would enhance long-term shareholder value while staying committed to the internal capital investment plan.

Critical Accounting Estimates

The Company believes the following accounting estimates are critical to determining and understanding the operating results and the financial position of the Company.

Allowance for doubtful accounts – The Company estimates allowances for potential losses resulting from the inability of customers to make required payments of accounts receivable. Additional allowances may be required if the financial condition of any customer deteriorates.

Allowance for inventory obsolescence – The Company estimates allowances for potential losses resulting from inventory becoming obsolete and that cannot be processed and/or sold to customers. Additional allowances may be required if the physical condition of inventory deteriorates or customer requirements change.

Impairment of long-lived assets – On an ongoing basis, the Company estimates the useful life of long-lived assets such as plant, equipment and intangible assets. The net carrying value of these assets is determined by providing depreciation and amortization based on the estimated useful life of each asset. The Company periodically reviews these assets for impairment whenever certain events or changes in circumstances indicate that the net carrying value may not be recoverable, based upon future net cash flows directly associated with the use and possible disposal of the asset. The amount of impairment, if any, is measured by deducting the fair value of the asset from its net carrying value and charged to depreciation or amortization expense. Goodwill is reviewed for possible impairment at least annually. Assumptions and projections used in the determination of possible impairment losses, such as future cash flows and discount rates, may affect the carrying value of goodwill and require an impairment expense.

Contingencies and litigation – On an ongoing basis, the Company assesses the potential liability regarding any lawsuit or claim brought against the Company. In assessing probable losses, the amount of possible insurance recoveries will be projected. The Company accrues a liability when a loss becomes probable and the net amount of the loss can reasonably be estimated. Due to the inherent uncertainties relating to the eventual outcome of litigation and potential insurance recovery, certain matters could ultimately be resolved for amounts materially different to provisions or disclosures previously made by the Company.

Pension and other post-retirement benefits – Accounting for defined benefit pensions and other post-retirement benefits requires the use of actuarial assumptions. These assumptions include the discount rate, expected rate of return on plan assets, rate of compensation increase and health-care costs. These assumptions depend on underlying factors such as economic conditions, government regulations, investment performance, employee demographics and mortality rates. These assumptions could change in the future and may result in material adjustments to pension and employment plan expenses. Changes in financial market returns and interest rates may result in revisions to the funding requirements of the Company's defined benefit pension plans. In addition, with regard to the one multiemployer defined benefit pension plan in which the Company participates, a significant deterioration in the financial condition of the other employers within the plan may result in material adjustments to pension expenses and funding requirements.

Income taxes – Future income tax assets and liabilities are measured using income tax rates that are expected to apply upon realization or settlement. They are also determined on the basis of management's best estimate of the period over which they will be realized or settled. Future income tax assets are realized to the extent that the realization of benefits is considered more likely than not. In the event that the actual outcome differs from management's assumptions and estimates, the carrying amounts may be adjusted. Management believes that estimates employed are reasonable and reflect the probable outcome of known tax contingencies.

Disclosure Controls and Internal Controls

Disclosure controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design and effectiveness of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 26, 2010 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the control framework in designing its internal controls over financial reporting. Based on management's design and testing of the effectiveness of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 26, 2010 to provide reasonable assurance that the financial information being reported is materially accurate. During the fourth quarter ended December 26, 2010, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Other

Additional information relating to the Company is available on SEDAR at www.sedar.com, including the Annual Information Form dated February 16, 2011.

Management's Report to the Shareholders

The accompanying consolidated financial statements, management's discussion and analysis (MD&A) and other information in the Annual Report are the responsibility of management. The financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these statements in accordance with Canadian generally accepted accounting principles. The MD&A and financial information contained in this Annual Report are consistent with the financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being reported, management has developed and maintains a system of internal controls. An integral part of the system is the requirement that employees maintain the highest standard of ethics in their activities. Business reviews and internal audits are performed by corporate executives and an internal audit team to evaluate internal controls, systems and procedures.

The Board of Directors, acting through the Audit Committee, is responsible for determining that management fulfills its responsibilities in the preparation of financial statements and MD&A, and in the financial control of operations. The Audit Committee recommends to the shareholders the appointment of the independent auditor. The Audit Committee meets regularly with financial management and the independent auditor to discuss internal controls, auditing matters and financial reporting issues and presents its findings to the Board. The Audit Committee reviews the consolidated financial statements, MD&A and material financial announcements with management and the external auditor prior to submission to the Board for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the independent external auditor, PricewaterhouseCoopers LLP, whose report follows.

B.J. Berry
President and Chief Executive Officer
Winnipeg, Canada
February 16, 2011

Ken Kuchma

K.P. Kuchma
Vice President and Chief Financial Officer
Winnipeg, Canada
February 16, 2011

Auditor's Report to the Shareholders

Independent Auditor's Report

To the Shareholders of Winpak Ltd.

We have audited the accompanying consolidated financial statements of Winpak Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 26, 2010 and December 27, 2009 and the consolidated statements of earnings and retained earnings, comprehensive income, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Winpak Ltd. and its subsidiaries as at December 26, 2010 and December 27, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Winnipeg, Canada
February 16, 2011

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended December 26, 2010 and December 27, 2009
(thousands of US dollars, except per share amounts)

	2010	2009
Sales	**579,441**	505,991
Cost of sales	**410,869**	354,068
Gross profit	**168,572**	151,923
Operating expenses		
Selling, general and administrative (note 4)	**75,954**	73,479
Research and technical	**13,478**	12,319
Pre-production	**237**	111
Earnings from operations	**78,903**	66,014
Interest (income) expense (note 9)	**(170)**	141
Earnings before income taxes and minority interest	**79,073**	65,873
Provision for income taxes (note 10)	**24,794**	21,180
Minority interest	**1,709**	1,802
Net earnings	**52,570**	42,891
Retained earnings, beginning of year	**285,973**	249,990
Net earnings	**52,570**	42,891
Dividends declared	**(7,615)**	(6,908)
Retained earnings, end of year	**330,928**	285,973
Basic and fully diluted earnings per share (cents)	**81**	66
Average number of shares outstanding (000's)	**65,000**	65,000

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 26, 2010 and December 27, 2009
(thousands of US dollars)

	2010	2009
Net earnings	**52,570**	42,891
Unrealized gains on translation of financial statements of operations with CDN dollar functional currency to US dollar reporting currency	**9,512**	26,713
Unrealized gains on derivatives designated as cash flow hedges, net of income tax of $292 (2009 - $703)	**741**	1,422
Realized (gains) losses on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income tax of $(476) (2009 - $4)	**(1,110)**	10
Other comprehensive income - net of income tax (note 13)	**9,143**	28,145
Comprehensive income	**61,713**	71,036

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 26, 2010 and December 27, 2009
(thousands of US dollars)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	**90,488**	61,164
Accounts receivable (note 15)	**77,747**	70,354
Income taxes receivable	**1,234**	-
Inventory (note 5)	**76,765**	70,559
Prepaid expenses	**2,284**	2,211
Future income taxes (note 10)	**3,472**	2,310
	251,990	206,598
Property, plant and equipment (note 6)	**257,208**	239,017
Other assets (note 7)	**15,633**	14,401
Intangible assets (note 8)	**4,007**	5,896
Goodwill (note 8)	**17,590**	17,235
	546,428	483,147
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**52,782**	44,965
Income taxes payable	**-**	2,931
	52,782	47,896
Deferred credits	**11,597**	11,363
Future income taxes (note 10)	**36,772**	32,459
Postretirement benefits (note 11)	**1,674**	1,673
	102,825	93,391
Minority interest	**15,620**	15,871
Shareholders' equity:		
Share capital (note 12)	**29,195**	29,195
Retained earnings	**330,928**	285,973
Accumulated other comprehensive income (note 13)	**67,860**	58,717
	398,788	344,690
	427,983	373,885
	546,428	483,147

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 26, 2010 and December 27, 2009
(thousands of US dollars)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net earnings	**52,570**	42,891
Items not involving cash:		
Depreciation	**25,858**	23,598
Amortization - intangible assets	**2,177**	2,398
Defined benefit plan costs	**3,417**	3,382
Future income taxes	**2,632**	1,963
Foreign exchange loss on long-term debt	**-**	559
Minority interest	**1,709**	1,802
Other	**569**	142
Cash flow from operating activities before the following	**88,932**	76,735
Change in working capital:		
Accounts receivable	**(7,017)**	(1,492)
Income taxes receivable	**(1,234)**	-
Inventory	**(4,483)**	2,594
Prepaid expenses	**(25)**	95
Accounts payable and accrued liabilities	**7,529**	10,630
Income taxes payable	**(2,921)**	642
Defined benefit plan payments	**(4,750)**	(5,310)
	76,031	83,894
Investing activities:		
Acquisition of plant and equipment	**(39,017)**	(21,354)
Acquisition of intangible assets	**(252)**	(444)
	(39,269)	(21,798)
Financing activities:		
Repayments of long-term debt	**-**	(17,000)
Dividends paid	**(7,539)**	(6,664)
Change in minority shareholdings in subsidiary	**(1,960)**	-
	(9,499)	(23,664)
Foreign exchange translation adjustment on cash and cash equivalents	**2,061**	2,936
Change in cash and cash equivalents	**29,324**	41,368
Cash and cash equivalents, beginning of year	**61,164**	19,796
Cash and cash equivalents, end of year	**90,488**	61,164

Supplemental disclosure of cash flow information:

Cash paid during the year for:		
Interest expense	**10**	70
Income tax expense	**23,377**	16,271

See accompanying notes to consolidated financial statements.

(thousands of US dollars, unless otherwise indicated)

General:

Winpak Ltd. is incorporated under the Canada Business Corporations Act. The Company manufactures and distributes high-quality packaging materials and related packaging machines. The Company's products are used primarily for the packaging of perishable foods, beverages and in health-care applications.

1. Basis of presentation:

The consolidated financial statements are expressed in US dollars and prepared in accordance with Canadian generally accepted accounting principles (GAAP). The fiscal year of the Company ends on the last Sunday of the calendar year. As a result, the Company's fiscal year is usually 52 weeks in duration, but includes a 53rd week every five to six years. The 2010 and 2009 fiscal years comprised 52 weeks.

2. Significant accounting policies:

(a) *Principles of consolidation:*
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as well as the majority-owned subsidiary American Biaxis Inc. All inter-company balances and transactions have been eliminated.

(b) *Revenue recognition:*
Sales are recognized when the risks and rewards of ownership have transferred to the customer, which is generally considered to have occurred as products are shipped. Customer volume rebates and cash discounts are accrued at the time of sale and recorded as a reduction of sales.

(c) *Cash and cash equivalents:*
Cash and cash equivalents include cash on hand, cash invested in interest-bearing money market accounts and short-term deposits with maturities of less than three months. Cash equivalents are all highly liquid investments.

(d) *Inventory:*
Inventory is stated at the lower of cost (first-in, first-out method) and net realizable value. Cost includes all amounts of purchase (net of supplier payment discounts), costs of conversion and other costs incurred in bringing the inventories to their present state. Cost includes the systematic allocation of variable and fixed production overhead costs that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity of the manufacturing facilities.

(e) *Property, plant and equipment:*
Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, commencing the date the assets are transferred into commercial production, as follows:

Buildings	20 – 40 years	Equipment	4 – 20 years	Packaging machines	3 – 7 years

Property, plant and equipment are reviewed for impairment when certain events or changes in circumstances indicate that the net carrying value may not be recoverable, based upon undiscounted future net cash flows directly associated with the use and possible disposal of the asset. The amount of the impairment, if any, is measured by deducting the fair value of the asset from its net carrying value and is charged to depreciation expense.

(f) *Pre-production costs:*
Pre-production costs relating to installations of major new equipment are expensed in the period in which incurred.

(g) *Goodwill:*
The excess acquisition cost over the underlying value of the net assets, including intangible assets, at the date of acquisition is recorded as goodwill. Goodwill is subject to annual impairment tests and written down from carrying value to fair value if a decline in value is considered to have occurred based upon expected discounted cash flows of the respective reporting unit.

(h) *Intangible assets:*
Intangible assets are recorded at cost less accumulated amortization. Patents, customer-related and marketing-related intangible assets are recorded at the discounted value of future cash flows of the assets at the date of acquisition. Amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Patents	8 – 17 years	Customer-related	10 years	Marketing-related	2 – 10 years	Computer software	3 – 12 years

The carrying values of intangible assets are tested for impairment when events or circumstances indicate that carrying amounts may not be recoverable. When such a situation occurs, the expected undiscounted cash flows over the remaining useful lives of the assets are compared to their carrying values. Intangible assets will be written down to their fair values by a charge to amortization expense if declines in carrying values are identified.

(i) *Research and technical costs:*
Research and technical costs are expensed in the period in which the costs are incurred. Related tax credits are recorded to reduce these costs when it is determined there is reasonable assurance the tax claims will be realized.

(j) *Deferred credits:*
Investment tax credits for plant and equipment are amortized on a straight-line basis over the estimated useful life of the related asset.

(k) *Employee benefit plans:*
The Company maintains five funded non-contributory defined benefit pension plans in Canada and the US and one funded non-contributory supplementary income postretirement plan for certain CDN-based executives. A market discount rate is used to measure the benefit obligations. The expected return on pension plan assets is calculated on the fair value of the assets as of the year-end reporting date. The cost of these non-contributory defined benefit pension plans is actuarially determined using the projected benefits method prorated on years of employee service, final average salary levels during specified years of employment, retirement ages of employees and other actuarial factors, together with the expected rate of return on pension plan assets. Current service costs, interest costs on the benefit obligation, curtailment and settlement costs are charged to earnings as they accrue. Past service costs, plan amendments, changes in assumptions, the net transitional asset amount and the cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or the fair value of plan assets are amortized to earnings on a straight-line basis over the expected average remaining service lives (9-15 years) of active plan members. The Company's funding policy is in compliance with statutory regulations and the amounts funded are deductible for income tax purposes.

One of the Company's subsidiaries maintains one unfunded contributory defined benefit postretirement plan for health-care benefits for a limited group of US individuals. A market discount rate is used to measure the benefit obligation. The cost of the plan is actuarially determined using the per capita claims cost method. Current service costs and interest costs on the benefit obligation are charged to earnings as they accrue. Past service costs, plan amendments, changes in assumptions and the cumulative unrecognized net actuarial gains and losses are amortized to earnings on a straight-line basis over the expected average future lifetime (10 years) of the retirees.

The Company participates in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. The administration of the plan and investment of its assets are controlled by a board of independent trustees. The Company's responsibility to make contributions is the amount established pursuant to its collective agreement; however poor performance of the investments in this plan could have an adverse impact on the Company, its employees and former employees who are members of this plan. This multiemployer defined benefit pension plan is accounted for using the accounting standards for defined contribution plans as there is insufficient information to apply defined benefit pension plan accounting. Accordingly, the Company's pension expense is the annual funding contribution and the Company does not recognize its share of a plan surplus or deficit.

The Company maintains seven defined contribution pension plans in Canada and the US. The pension expense for these plans is the annual funding contribution by the Company.

(l) *Income taxes:*
The Company uses the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognized for the future differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply when the asset is realized or the liability is settled. The effect of changes in income tax rates is recognized in the period in which the rate change is considered substantively enacted. When necessary, a valuation allowance is recorded to reduce future income tax assets to an amount that is more likely than not to be realized.

(m) *Foreign currency translation:*
Operations with the CDN dollar as the functional currency are translated using the current rate method under which the assets and liabilities are translated into US dollars at the year-end exchange rate. Sales, costs and expenses are translated at the exchange rate in effect at the start of each month. The unrealized exchange gains or losses on the net investment in these operations are deferred and included in the accumulated other comprehensive income account in shareholders' equity.

(n) *Financial assets and liabilities:*
Derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. The Company's financial instruments are classified as follows: (a) cash and cash equivalents and accounts receivable – loans and receivables, (b) accounts payable and accrued liabilities – other financial liabilities and (c) cash flow hedging derivative – derivatives designated as effective hedges. All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value except loans and receivables and other financial liabilities, which are measured at amortized cost.

All changes in fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

(o) *Derivative hedge accounting:*
At the inception of a hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, which includes linking all derivatives to specific firm commitments or forecasted transactions. The Company operates principally in Canada and the United States, which gives rise to risks that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange rates. The Company enters into foreign currency forward contracts to hedge certain foreign exchange exposures on anticipated sales.

Hedges must be designated as either a fair value or cash flow hedge. For a fair value hedge, the gain or loss on the hedging item is recognized in earnings in the period of change together with the offsetting change attributable to the hedged risk. For a cash flow hedge, the effective portion of the gain or loss on the hedging item is initially recorded in other comprehensive income and subsequently recognized in earnings (recorded within selling, general and administrative expenses) when the hedged item affects earnings. The ineffective portion of the gain or loss is immediately recognized in earnings.

When a hedging instrument expires, is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income as long as the forecasted transaction is probable and would be recognized in the statement of earnings in the period the hedged transaction impacts earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately transferred to the statement of earnings.

(p) *Comprehensive income:*
Comprehensive income is comprised of net earnings and other comprehensive income – net of income tax. Comprehensive income is the change in a Company's net assets resulting from transactions or events from sources other than the Company's shareholders. Other comprehensive income is affected by: (i) unrealized foreign exchange gains or losses on translation of the financial statements of operations with the CDN dollar as the functional currency to US dollar reporting currency, (ii) unrealized gains or losses on the effective portion of derivatives designated as cash flow hedges, net of income tax, and (iii) realized gains or losses on derivatives designated as cash flow hedges when the hedged item affects earnings, net of income tax.

(q) *Stock-based compensation plan:*
The Company maintains a stock-based compensation plan, which provides stock appreciation rights under the President's Incentive Plan. Rights under the plan vest immediately, and are paid in cash during the fourth quarter of the third year or the first quarter of the fourth year after the date of grant based upon the quoted market value of the common shares of the Company on the day prior to the date of payment. Compensation cost is recognized for the value of the rights granted in each year, based on the market value of the common shares of the Company on the date of grant, and is adjusted annually for the change in market value of unexercised rights granted in prior years. Compensation cost recorded for the year under the Plan was $1,289 (2009 – $673).

(r) *Use of estimates:*
The preparation of financial statements in accordance with GAAP requires management to make estimates including: the estimated useful lives of various assets, assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of certain sales, costs and expenses during the year. Actual results could differ from these estimates.

3. International financial reporting standards (IFRS):

The Company is required to converge with IFRS for fiscal years beginning on or after January 1, 2011 with comparative figures presented for 2011. The Company will be electing to report under IFRS for its 2011 fiscal year with comparative figures for 2010.

4. Selling, general and administrative:

Included within selling, general and administrative expenses are the following amounts:

	2010	2009
Foreign exchange translation losses	613	4,599
Defined benefit pension plan costs (note 11)	2,578	2,807
Other postretirement benefit costs (note 11)	839	575
Net benefit plan cost	3,417	3,382

Foreign exchange translation losses represent the realized and unrealized foreign exchange differences recognized upon translation of monetary assets and liabilities. The amounts include realized foreign exchange (gains) losses on cash flow hedges arising from transfers of these amounts from other comprehensive income to net earnings.

5. Inventory:

	2010	2009
Raw materials	24,296	23,759
Work-in-process	12,346	9,697
Finished goods	35,991	33,492
Spare parts	4,132	3,611
	76,765	70,559

During 2010, the Company recorded write-downs for slow-moving and obsolete inventory of $6,539 (2009 – $4,937) and reversals of previously written-down items that were sold to customers of $1,366 (2009 – $811).

6. Property, plant and equipment:

	2010 Cost	Accumulated depreciation	2010 Net	2009 Cost	Accumulated depreciation	2009 Net
Land	2,908	-	2,908	2,861	-	2,861
Buildings	94,571	25,646	68,925	85,715	22,293	63,422
Equipment	388,007	207,075	180,932	342,768	182,032	160,736
Packaging machines	28,636	26,010	2,626	29,555	26,398	3,157
Expansions in progress	1,817	-	1,817	8,841	-	8,841
	515,939	258,731	257,208	469,740	230,723	239,017

7. Other assets:

	2010	2009
Defined benefit pension plans (note 11)	14,273	11,686
Other postretirement benefits (note 11)	1,219	1,916
Income tax credits recoverable	141	799
	15,633	14,401

A subsidiary has income tax credits recoverable which are available to reduce provincial income taxes payable in the future. These income tax credits expire if not utilized by 2016, 2017, 2019 and 2020 in the amounts of $29, $108, $2 and $2 respectively.

8. Intangible assets and goodwill:

Intangible assets:

	2010 Cost	Accumulated amortization	2010 Net	2009 Cost	Accumulated amortization	2009 Net
Patents	4,026	3,954	72	4,017	3,899	118
Customer-related	11,996	9,554	2,442	11,996	8,394	3,602
Marketing-related	1,924	1,617	307	2,058	1,537	521
Computer software	7,966	6,780	1,186	7,533	5,878	1,655
	25,912	21,905	4,007	25,604	19,708	5,896

Goodwill: As at December 26, 2010 and December 27, 2009, the Company performed impairment tests on remaining goodwill balances and concluded that no provision for impairment was required. The difference in the carrying value of goodwill year-over-year relates to the change in foreign exchange rates.

9. Long-term debt:

The Company currently does not have a committed term loan facility in place. The Company has uncommitted, unsecured operating lines of credit totaling US $38,000.

Interest is comprised of the following:	2010	2009
Interest expense on long-term debt	-	24
Interest expense on bank indebtedness and other	12	180
Interest income on cash and cash equivalents	(182)	(63)
	(170)	141

10. Provision for income taxes:

	2010	2009
Current	22,162	19,217
Future	2,632	1,963
Total provision for income taxes	24,794	21,180
Combined Canadian federal and provincial income tax rate	29.9%	31.2%
United States income taxed at higher than combined Canadian tax rates	1.9	2.0
Change in substantively enacted Canadian federal/provincial income tax rates	(0.3)	-
Non-taxable foreign exchange gains	(0.4)	(0.7)
Permanent differences and other	0.3	(0.3)
Effective income tax rate	31.4%	32.2%

Temporary differences that give rise to future income tax assets and liabilities are as follows:

	2010	2009
Future income tax assets:		
Reserves and accrued liabilities	3,472	2,310
Future income tax liabilities:		
Buildings, equipment and packaging machines	33,115	29,603
Accrued pension asset	4,319	3,756
Postretirement benefits	(603)	(607)
Intangible assets and goodwill	(59)	(293)
	36,772	32,459

11. Employee benefit plans:

The Company maintains five funded non-contributory defined benefit pension plans, one funded non-contributory supplementary income postretirement plan for certain CDN-based executives, one unfunded contributory defined benefit postretirement plan for health-care benefits for a limited group of US individuals, one multiemployer defined benefit pension plan for certain unionized employees in the US and seven defined contribution pension plans. Effective January 1, 2005, all defined benefit pension plans were frozen to new entrants except one, which was frozen effective January 1, 2009. All new CDN employees are required, and all new US employees have the option, to participate in defined contribution plans upon satisfaction of certain eligibility requirements.

Defined benefit plans

The Company measures the accrued benefit obligations and fair value of assets for the defined benefit plans as of the year-end date. The most recent actuarial valuations for funding purposes for the funded non-contributory plans were completed as at the following dates: January 1, 2010 for two plans, December 31, 2007 for two plans, and October 31, 2005 for one frozen plan which will not have a new actuarial valuation completed at this time. The most recent actuarial valuations for funding purposes for the supplementary income postretirement plan and the postretirement plan for health-care benefits were dated January 1, 2009 and January 1, 2010 respectively. The next required actuarial valuations for all of the Company's defined benefit plans are three years from the aforementioned dates.

Total amounts paid by the Company on account of all employee benefit plans, consisting of: defined benefit pension plans, supplementary income postretirement plan, direct payments to beneficiaries for the unfunded postretirement plan, the multiemployer defined benefit pension plan and the defined contribution plans, amounted to $7,590 (2009 – $7,632).

The following presents the financial position of the Company's defined benefit pension plans and other post retirement benefits, which include the supplementary income plan and the postretirement plan for health-care benefits:

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2010	2009	**2010**	2009
Change in benefit obligation				
Benefit obligation, beginning of year	**51,449**	39,103	**8,613**	6,134
Current service cost	**2,286**	1,952	**251**	144
Interest cost	**3,030**	2,637	**515**	445
Actuarial loss (gain)	**614**	5,343	**(955)**	1,211
Benefits paid	**(1,459)**	(1,519)	**(216)**	(173)
Foreign exchange	**1,363**	3,933	**278**	852
Benefit obligation, end of year	**57,283**	51,449	**8,486**	8,613
Change in plan assets				
Fair value of plan assets, beginning of year	**46,976**	32,964	**6,428**	5,369
Actual return on plan assets	**4,458**	6,188	**202**	331
Employer contributions	**4,651**	5,245	**99**	65
Benefits paid	**(1,459)**	(1,519)	**(216)**	(173)
Foreign exchange	**1,510**	4,098	**262**	836
Fair value of plan assets, end of year	**56,136**	46,976	**6,775**	6,428
Funded status				
Plan assets less than benefit obligation	**(4,780)**	(6,412)	**(1,940)**	(2,185)
Plan assets greater than benefit obligation	**3,633**	1,939	**229**	-
Net plan assets less than benefit obligation	**(1,147)**	(4,473)	**(1,711)**	(2,185)
Unrecognized net transition amount	**(324)**	(516)	**-**	-
Unrecognized prior service cost	**413**	459	**1,220**	1,450
Unamortized actuarial loss	**15,331**	16,216	**36**	978
Accrued asset (liability)	**14,273**	11,686	**(455)**	243

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2010	2009	**2010**	2009
Amounts recognized in the consolidated balance sheet				
Accrued asset (note 7)	**14,273**	11,686	**1,219**	1,916
Accrued liability	**-**	-	**(1,674)**	(1,673)
Accrued asset (liability)	**14,273**	11,686	**(455)**	243
Plans with fair value of assets less than benefit obligation				
Fair value of plan assets	**16,966**	35,482	**-**	6,428
Benefit obligation	**(21,746)**	(41,894)	**(1,940)**	(8,613)
Plan assets less than benefit obligation	**(4,780)**	(6,412)	**(1,940)**	(2,185)
Plan assets				
The following represents the weighted average allocation of plan assets:				
Asset category				
Equity securities	**66%**	65%	**31%**	31%
Debt securities	**34%**	35%	**15%**	14%
Cash	**-**	-	**54%**	55%
Total	**100%**	100%	**100%**	100%
Net benefit plan cost				
Current service cost	**2,286**	1,952	**251**	144
Interest cost on accrued benefit obligation	**3,030**	2,637	**515**	445
Actual gain on plan assets	**(4,458)**	(6,188)	**(202)**	(331)
Actuarial loss (gain) on accrued benefit obligation	**614**	5,343	**(955)**	1,211
Benefit plans cost before adjustments to recognize the long-term nature of benefit plans	**1,472**	3,744	**(391)**	1,469
Excess of actual over expected return on plan assets	**1,186**	3,786	**-**	135
Deferral of amounts arising during the year:				
Actuarial (loss) gain on accrued benefit obligation	**(614)**	(5,343)	**955**	(1,211)
Amortization of previously deferred amounts:				
Transitional asset	**(208)**	(187)	**-**	-
Prior service cost	**69**	66	**276**	248
Net actuarial loss (gain)	**673**	741	**(1)**	(66)
Adjustments to recognize the long-term nature of benefit plans	**1,106**	(937)	**1,230**	(894)
Net benefit plan cost	**2,578**	2,807	**839**	575
Significant assumptions				
The following weighted averages were used:				
Accrued benefit obligations as of the year-end date:				
Discount rate	**5.4%**	6.0%	**5.4%**	6.0%
Rate of compensation increase	**3.9%**	4.2%	**-**	-
Net benefit plan cost for the year:				
Discount rate	**6.0%**	6.8%	**6.0%**	7.0%
Expected return on plan assets	**6.8%**	7.3%	**2.8%**	3.0%
Rate of compensation increase	**3.9%**	4.2%	**-**	-

The defined benefit pension plans do not invest in the shares of the Company. The expected rate of return on the plan assets is based on historical and projected rates of return for each asset category measured over a four-year time period. The objective of the asset allocation policy is to manage the funded status of the plans at an appropriate level of risk, giving consideration to the security of the assets and the potential volatility of market returns. The long-term rate of return is targeted to exceed the return indicated by a benchmark portfolio by at least 1 percent annually.

The postretirement benefit plan assumed health-care cost trend rate is 8.7 percent with the rate declining to 4.5 percent by 2028. A one-percentage point change in the assumed health-care cost trend rate would affect the net benefit plan cost by approximately $7 and the accrued benefit obligation by $127.

Multiemployer Defined Benefit Pension Plan

The Company participates in one multiemployer defined benefit pension plan providing benefits to certain unionized employees in the US. The administration of the plan and investment of its assets are controlled by a board of independent trustees. The trustees have determined that this plan is in a critical status position from a funding perspective. As a result, the trustees have formulated a funding rehabilitation plan to forestall a possible insolvency of the plan. The rehabilitation plan requires participating employers to provide phased in contribution increases for future years with the contributions increasing 25 percent by 2012. These contributions are directed solely toward improving the plan's funding status. This multiemployer defined benefit pension plan is accounted for using the accounting standards for defined contribution plans as there is insufficient information to apply defined benefit pension plan accounting. Accordingly, the Company's pension expense in respect to this plan of $456 (2009 – $441) is the annual funding contribution and the Company does not recognize its share of a plan surplus or deficit.

Defined Contribution Pension Plans

The Company maintains four defined contribution plans for employees in Canada and three savings retirement plans (401(k) Plans) for employees in the United States. The Company's total expense for these plans was $2,384 (2009 – $1,881).

12. Share capital:

Authorized:	Issued and fully paid:
Unlimited voting common shares	65,000,000 Voting common shares

The Company has no stock option plans in place.

13. Accumulated other comprehensive income:

Accumulated other comprehensive income represents the net changes due to foreign exchange rate fluctuations in the net investment in the CDN dollar functional currency operations and the unrealized gains on derivatives designated as cash flow hedges.

	2010	2009
Balance, beginning of year	**58,717**	30,572
Other comprehensive income	**9,143**	28,145
Balance, end of year	**67,860**	58,717
The accumulated balances for each component of other comprehensive income, net of income taxes, are comprised of the following:		
Unrealized gains on translation of financial statements of operations with CDN dollar functional currency to US dollar reporting currency	**67,419**	57,907
Unrealized gains on derivatives designated as cash flow hedges	**441**	810
Balance, end of year	**67,860**	58,717

14. Financial instruments:

The following sets out the classification and the carrying value and fair value of financial instruments:

Assets (Liabilities)	Classification	Carrying / Fair Value	Fair Value
Cash and cash equivalents	Loans and receivables	90,488	-
Accounts receivable	Loans and receivables	77,118	-
Accounts payable and accrued liabilities	Other financial liabilities	(52,782)	-
Cash flow hedging derivative	Derivatives designated as effective hedges	-	629

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value because of the short-term maturity of these instruments. The fair value of foreign currency forward contracts, designated as cash flow hedges, have been determined by valuing those contracts to market against prevailing forward foreign exchange rates as at the year-end reporting date. The inputs used for fair value measurements, including their classification within the required three levels of the fair value hierarchy that prioritizes the inputs used for fair value measurement, are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The following table presents the classification of financial instruments within the fair value hierarchy as at December 26, 2010:

Financial Assets	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	-	629	-	629

15. Financial risk management:

In the normal course of business, the Company has risk exposures consisting primarily of foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Company manages its risks and risk exposures through a combination of derivative financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments for speculative purposes.

Risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

Foreign Exchange Risk
The Company operates primarily in Canada and the United States. The functional currency of the parent company is CDN dollars and the reporting currency is US dollars. All operations in the United States and American Biaxis Inc. operate with the US dollar as the functional currency, while all Canadian operations, excluding American Biaxis Inc., operate with the CDN dollar as the functional currency. Most of the Company's business is conducted in US dollars. However, approximately 16 percent of sales are invoiced in CDN dollars and approximately 28 percent of costs are incurred in the same currency, resulting in a net outflow of costs in CDN dollars. Consequently, the Company records foreign currency differences on transactions.

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in selling, general and administrative expenses. As a result of the Company's US dollar net asset monetary position within the CDN dollar functional currency operations as at December 26, 2010, a one-cent change in the year-end foreign exchange rate from 1.0089 to 0.9989 (US to CDN dollars) would have decreased net earnings by $479 for 2010. Conversely, a one-cent change in the year-end foreign exchange rate from 1.0089 to 1.0189 (US to CDN dollars) would have increased net earnings by $479 for 2010.

The Company's foreign exchange policy requires that between 50 and 80 percent of the Company's net requirement of CDN dollars for the ensuing 9 to 15 months will be hedged at all times with a combination of cash and cash equivalents and forward or zero-cost option foreign currency contracts. Transactions are only conducted with certain approved Schedule I Canadian financial institutions. All foreign currency contracts are designated as cash flow hedges. Certain foreign currency forward contracts matured during the year and the Company realized pre-tax foreign exchange gains of $1,586. These foreign exchange gains were recorded in selling, general and administrative expenses.

As at December 26, 2010, the Company had foreign currency forward contracts outstanding with a notional amount of US $17.0 million at an average exchange rate of 1.0454 (US to CDN dollars) maturing between January and September 2011. The fair value of these financial instruments was an unrealized gain of US $0.629 million. The aforementioned unrealized gain has been recorded in other comprehensive income.

An unrealized foreign exchange gain during the year of $1,033 (pre-tax) was recorded in other comprehensive income.

Interest Rate Risk
The Company's interest rate risk arises from interest rate fluctuations on the interest income that it earns on its cash invested in money market accounts and short-term deposits. The Company developed and implemented an investment policy, which was approved by the Company's Board of Directors, with the primary objective to preserve capital, minimize risk and provide liquidity. Regarding the December 26, 2010 cash and cash equivalents balance of $90.5 million, a 1.0 percent increase/decrease in interest rate fluctuations would increase/decrease earnings before tax by $905 annually.

Commodity Price Risk
The Company's manufacturing costs are affected by the price of raw materials, namely petroleum-based and natural gas-based plastic resins and aluminum. In order to manage its risk, the Company has entered into selling price-indexing programs with certain customers. Changes in raw material prices for these customers are reflected in selling price adjustments but there is a slight time lag. For 2010, 57 percent of sales were to customers with selling price-indexing programs. For all other customers, the Company's preferred practice is to match raw material cost changes with selling price adjustments, albeit with a slight time lag. This matching is not always possible, as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets.

Credit Risk
The Company is exposed to credit risk from its cash and cash equivalents held with banks and financial institutions, derivative financial instruments (foreign currency forward contracts), as well as credit exposure to customers with outstanding accounts receivable balances.

The following table details the maximum exposure to the Company's counterparty credit risk which represents the carrying value of the financial asset:

	2010	2009
Cash and cash equivalents	**90,488**	61,164
Accounts receivable	**77,118**	69,172
Foreign currency forward contracts	**629**	1,182
	168,235	131,518

Credit risk on cash and cash equivalents and financial instruments arises in the event of non-performance by the counterparties when the Company is entitled to receive payment from the counterparty who fails to perform. The Company has established an investment policy to manage its cash. The policy requires that the Company manage its risk by investing its excess cash on hand on a short-term basis, up to a maximum of six months, with several financial institutions and/or governmental bodies that must be 'AA' rated, or higher, by a recognized international credit rating agency or insured 100 percent by a 'AAA' rated CDN or US government. The Company manages its counterparty risk on its financial instruments by only dealing with CDN Schedule I financial institutions.

In the normal course of business, the Company is exposed to credit risk on its accounts receivable from customers. The Company's current credit exposure is higher in the weakened North American economic environment. To mitigate such risk, the Company performs ongoing customer credit evaluations and assesses their credit quality by taking into account their financial position, past experience and other pertinent factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures accounts receivable balances against credit losses.

As at December 26, 2010, the Company believes that the credit risk for accounts receivable is mitigated due to the following: (a) a broad customer base which is dispersed across varying market sectors and geographic locations, (b) 97 percent (2009 – 97 percent) of gross accounts receivable balances are outstanding for less than 60 days, (c) 17 percent (2009 – 12 percent) of the total accounts receivable balance is insured against credit losses, and (d) the Company's exposure to individual customers is limited and the ten largest customers, on aggregate, accounted for 33 percent (2009 – 28 percent) of the total accounts receivable balance.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within selling, general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses in the earnings statement.

The following table sets out the aging details of the Company's accounts receivable balances outstanding based on the status of the receivable in relation to when the receivable was due and payable and related allowance for doubtful accounts:

	2010	2009
Current - neither impaired nor past due	**64,345**	53,224
Not impaired but past the due date:		
Within 30 days	**13,015**	16,725
31- 60 days	**1,237**	1,271
Over 60 days	**778**	895
	79,375	72,115
Less: Allowance for doubtful accounts	**(1,628)**	(1,761)
Total accounts receivable, net	**77,747**	70,354

The following table details the continuity of the allowance for doubtful accounts:

	2010	2009
Balance, beginning of year	**(1,761)**	(1,663)
Provisions for the year, net of recoveries	**(320)**	(215)
Uncollectible amounts written off	**462**	180
Foreign exchange impact	**(9)**	(63)
Balance, end of year	**(1,628)**	(1,761)

Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come due. Management believes that the liquidity risk is low due to the strong financial condition of the Company. This risk assessment is based on the following: (a) cash and cash equivalents amounts of $90.5 million, (b) no outstanding long-term debt, (c) unused credit facilities comprised of unsecured operating lines of $38 million, (d) the ability to obtain term-loan financing to fund an acquisition, if needed, (e) an informal investment grade credit rating, and (f) the Company's ability to generate positive cash flows from ongoing operations. Management believes that the Company's cash flows are more than sufficient to cover its operating costs, working capital requirements, capital expenditures and dividend payments in 2011. The Company's accounts payable and accrued liabilities are virtually all due within six months.

16. Capital management:

The Company's objectives in managing capital are to ensure the Company will continue as a going concern and have sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. The Company also strives to maintain an optimal capital structure to reduce the overall cost of capital.

In the management of capital, the Company includes bank indebtedness, long-term debt and shareholders' equity. The Board of Directors has established quantitative return on capital criteria for management and year-over-year sustainable earnings growth targets. The Board of Directors also reviews, on a regular basis, the level of dividends paid to the Company's shareholders.

The Company has externally imposed capital requirements as governed through its bank operating line credit facilities. The Company monitors capital on the basis of funded debt to EBITDA (earnings before interest, income taxes, depreciation and amortization) and debt service coverage. Funded debt is defined as the sum of long-term debt and bank indebtedness less cash and cash equivalents. The funded debt to EBITDA is calculated as funded debt, as at the financial reporting date, over the 12-month rolling EBITDA. This ratio is to be maintained under 3.00:1. As at December 26, 2010, the ratio was 0.00:1. Debt service coverage is calculated as a 12-month rolling earnings from operations over debt service. Debt service is calculated as the sum of one-sixth long-term debt outstanding plus annualized interest expense and dividends. This ratio is to be maintained over 1.50:1. As at December 26, 2010, the ratio was 10.94:1.

There were no changes in the Company's approach to capital management during 2010.

17. Segmented information:

The Company operates in one reportable segment being the manufacture and sale of packaging materials. The Company operates principally in Canada and the United States.

The following summary presents key information by geographic segment:

	United States		Canada		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Sales	**452,194**	394,301	**97,230**	86,464	**30,017**	25,226	**579,441**	505,991
Property, plant and equipment	**92,553**	88,329	**164,655**	150,688	**-**	-	**257,208**	239,017
Intangible assets	**3,192**	4,710	**815**	1,186	**-**	-	**4,007**	5,896
Goodwill	**8,485**	8,485	**9,105**	8,750	**-**	-	**17,590**	17,235

18. Commitments and guarantees:

Commitments:

The Company has commitments of $4,539 (2009 – $13,004) with respect to plant and equipment purchases.

The Company rents premises and equipment under operating leases that expire at various dates until January 31, 2016. The aggregate minimum rentals payable for these leases are as follows:

Year	2011	2012	2013	2014	2015	Thereafter	Total
Amount	1,348	1,332	1,239	1,189	566	11	5,685

Guarantees:

Directors and officers

The Company and its subsidiaries have entered into indemnification agreements with their respective directors and officers to indemnify them, to the extent permitted by law, against any and all amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding involving the directors and officers. Indemnification claims will be subject to any statutory or other legal limitation period. The Company has purchased directors' and officers' liability insurance to mitigate losses from any such claims.

Leased real property

The Company and its subsidiaries enter into operating leases in the ordinary course of business for real property. In certain instances, the Company and its subsidiaries have indemnified the landlord from any obligations that may arise from any occurrences of personal bodily injury, loss of life and property damages. The Company's property and liability insurance coverage mitigates losses from any such claims.

Pension plan

The Company has indemnified the Manitoba Pension Commission from any and all claims that may be made by any beneficiary under a certain defined benefit pension plan. The indemnity relates to the transfer of a portion of the surplus in the respective pension plan to a non-contributory supplementary income plan.

Given the nature of the aforementioned indemnification agreements, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company believes the likelihood of a material payment pursuant to these indemnification agreements is remote. No amounts have been recorded in the consolidated financial statements with respect to these indemnification agreements.

19. Related party transactions:

The Company had sales of $215 (2009 – $111) and purchases of $3,895 (2009 – $3,874) with its majority shareholder company. Accounts receivable and accounts payable include amounts of $39 (2009 – $45) and $28 (2009 – $61) respectively with the majority shareholder company. These transactions were completed at market values with normal payment terms.

20. Contingencies:

In the normal course of business activities, the Company may be subject to various legal actions. Management contests these actions and believes resolution of the actions will not have a material adverse impact on the Company's financial condition.

Annual Meeting

The Annual Meeting of Shareholders will be held on Thursday, April 28, 2011 at 4:30 p.m.
at The Fort Garry Hotel, Winnipeg, Canada

Listing

Winpak Ltd. shares are listed WPK on the Toronto Stock Exchange

Transfer Agent

Computershare Investor Services Inc.

Annual Information Form

The most recent version of the Annual Information Form for Winpak Ltd.
is available by contacting Winpak's Corporate Office
100 Saulteaux Crescent, Winnipeg, Canada R3J 3T3
info@winpak.com

Board of Directors

Chairman, *A. Aarnio-Wihuri (2),* Helsinki, Finland; Chairman, Wihuri Oy
J.M. Hellgren, Helsinki, Finland; President and Chief Executive Officer, Wihuri Oy
T.P. Fagernas (2), Helsinki, Finland
J.R. Lavery (2), Winnipeg, Canada
D.R.W. Chatterley (1), Winnipeg, Canada
J.S. Pollard (1), Winnipeg, Canada; Co-Chief Executive Officer, Pollard Banknote Limited
I.T. Suominen (1), Helsinki, Finland; Vice President and Chief Financial Officer, Wihuri Oy

(1) Member of the Audit Committee
(2) Member of the Compensation, Governance and Nominating Committee

Executive Committee

The Executive Committee, in consultation with the Board of Directors, establishes the objectives and the long-term direction of the Company. The Committee meets regularly throughout the year to review progress towards achievement of the Company's goals and to implement policies and procedures directed at optimizing performance.

B.J. Berry, President and Chief Executive Officer, Winpak Ltd.
K.M. Byers, President, Winpak Films Inc.
D.A. Johns, President, Winpak Division, a division of Winpak Ltd.
T.L. Johnson, President, Winpak Heat Seal Packaging
K.P. Kuchma, Vice President and Chief Financial Officer, Winpak Ltd.
J.R. McMacken, President, Winpak Portion Packaging
N.L. Rozek, Vice President, Technology, Winpak Ltd.
D.J. Stacey, President, Winpak Lane, Inc. and Vice President, Corporate Development, Winpak Ltd.

Auditor

PricewaterhouseCoopers LLP, Winnipeg, Canada

Legal Counsel

Thompson Dorfman Sweatman LLP, Winnipeg, Canada
Jones Day, Atlanta, U.S.A.

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